

COMMERCE

Budget Summary						FTE Position Summary				
Fund	1998-99 Adjusted Base	Governor		1999-01 Change Over Base Year Doubled		1998-99	Governor		2000-01 Over 1998-99	
		1999-00	2000-01	Amount	%		1999-00	2000-01	Number	%
GPR	\$22,169,000	\$21,465,400	\$21,466,700	- \$1,405,900	- 3.2%	85.85	80.40	80.40	- 5.45	- 6.3%
FED	36,407,400	36,468,800	36,421,900	75,900	0.1	33.20	28.20	28.20	- 5.00	- 15.1
PR	29,787,800	40,213,100	43,306,800	23,944,300	40.2	244.75	262.25	262.25	17.50	7.2
SEG	<u>112,506,900</u>	<u>109,298,600</u>	<u>109,321,600</u>	<u>- 6,393,600</u>	<u>- 2.8</u>	<u>95.20</u>	<u>95.70</u>	<u>95.70</u>	<u>0.50</u>	<u>0.5</u>
TOTAL	\$200,871,100	\$207,445,900	\$210,517,000	\$16,220,700	4.0%	459.00	466.55	466.55	7.55	1.6%
BR			\$450,000,000							

Budget Change Items

Departmentwide and Economic Development

1. STANDARD BUDGET ADJUSTMENTS

Governor: Provide annual adjustments of \$69,900 PR, -\$304,300 SEG, -1.0 GPR position, -2.0 FED positions and -3.0 PR positions. Further, provide \$107,900 GPR and \$222,800 FED in 1999-00 and \$109,200 GPR and \$175,900 FED in 2000-01 for standard budget adjustments. Adjustments are for (a) turnover reduction (-\$74,500 GPR, -\$235,700 PR and -\$59,600 SEG annually); (b) removal of noncontinuing items (-\$56,000 FED in 1999-00 and -\$104,300 FED in 2000-01 and -\$200,300 SEG, -2.0 FED, -1.0 GPR and -3.0 PR positions annually); (c) full funding of salaries and fringe benefits (\$158,300 GPR, \$271,500 FED, \$180,300 PR and -\$53,500 SEG annually); (d) full funding of financial services (\$3,200 GPR, \$4,800 PR and \$700 SEG annually); (e) position reclassifications (\$6,400 GPR and \$4,100 FED in 1999-00 and \$7,700 GPR and \$5,500 FED in 2000-01 and \$200 PR and \$3,100 SEG annually); (f) overtime (\$95,800 PR annually); and (g) fifth week vacation as cash (\$14,500 GPR, \$3,200 FED, \$24,500 PR and \$5,300 SEG annually). In total, changes due to standard budget adjustments would increase funding by \$96,300 in 1999-00 and \$50,700 in 2000-01. Total position authority would be reduced by 6.0 annually.

	Funding Positions	
GPR	\$217,100	- 1.00
FED	398,700	- 2.00
PR	139,800	- 3.00
SEG	<u>- 608,600</u>	<u>0.00</u>
Total	\$147,000	- 6.00

2. BROWNFIELDS -- GRANTS FOR JOBS FOR LOW-INCOME INDIVIDUALS

PR	\$10,000,000
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Governor: Expand the brownfields grant program to add a new component for financial assistance to persons, municipalities or local development corporations for brownfields redevelopment and associated environmental remediation projects which provide jobs primarily to individuals who are eligible to benefit from federal Temporary Assistance to Needy Families (TANF) funding.

Under the new component, Commerce could award a grant to a person, municipality or local development corporation if:

- a. The recipient uses the grant proceeds for brownfields redevelopment and related environmental remediation projects;
- b. The party that caused the environmental contamination and any person who possessed or controlled the environmental contaminant before it was released is unknown, cannot be located or are financially unable to pay the cost of brownfields redevelopment or associated environmental remediation activities;
- c. The recipient contributes the required match to the cost of the project; and
- d. The recipient will use the grant proceeds to create or retain jobs, of which at least 80% will be filled by individuals who are parents of minor children and whose family income does not exceed 200% of the poverty line. [Items (a) through (c) are current law requirements.]

In awarding the grants, the Department would be required to consider the following criteria: (a) the potential of the project to promote economic development in the area; (b) the number of jobs likely to be created or retained; (c) whether the project will have a positive effect on the environment; (d) the amount and quality of the recipient's contribution to the project; and (e) the innovativeness of the recipient's proposal for remediation and redevelopment. If possible, the Department would weight the criteria by applying a 50% weight to the first two criteria, a 25% weight to the third criterion, a 15% weight to the fourth criterion and a 10% weight to the fifth criterion.

A total of \$5,000,000 PR in federal TANF funds would be provided annually through a new, program revenue continuing appropriation. Current funding limits for the brownfields grant program would be modified to reflect the additional funds. Consequently, total brownfields grant program funds would be required to be annually allocated as follows: (a) \$3,000,000 in grants that do not exceed \$300,000; (b) \$3,000,000 in grants that are greater than \$300,000 but do not exceed \$700,000; and (c) \$4,000,000 in grants that are greater than \$700,000 but do not exceed \$1,250,000. (Currently, the maximum total amount of grants that can be made for each level of awards is \$750,000, \$1,750,000 and \$2,500,000, respectively.) The maximum grant would remain \$1,250,000. In addition, the current provision that annually seven grants be made to municipalities with populations of less than 30,000 would be expanded to require 14 grants to municipalities with populations of less than 50,000.

Commerce would be required to promulgate rules to establish the hours and benefits of employment for eligible low-income individuals who fill project jobs. Applicants for grants would be required to include in the grant application a plan for creating jobs, including those jobs that would be created for eligible low-income individuals.

The Brownfields Grant program was created in the 1997-99 biennial budget to provide financial assistance to persons (individuals, partnerships, corporations, or limited liability companies), municipalities and local development corporations that conduct brownfields redevelopment and related environmental remediation projects. Brownfields are abandoned, idle or underused industrial or commercial facilities or sites, the expansion or redevelopment of which is adversely affected by actual or perceived environmental contamination. Brownfields redevelopment includes any work or undertaking to: (a) acquire a brownfields facility; and (b) raze, demolish, remove, reconstruct, renovate or rehabilitate the facility or existing buildings, structures or other improvements at the site. The redevelopment project must be for promoting the facility or site for commercial, industrial or similar economic development purposes.

Grant recipients are required to provide cash or in-kind matches equal to a certain percent of project costs as follows: (a) 20% for grants of \$300,000 or less; (b) 35% for grants between \$300,000 and \$700,000; and (c) 50% for grants between \$700,000 and \$1,250,000.

Base level funding of \$5,000,000 SEG annually from the environmental fund is appropriated for brownfields grants.

[Bill Sections: 195, 206, 212, 1328 and 2938 thru 2951]

3. GAMING ECONOMIC DEVELOPMENT AND DIVERSIFICATION GRANT AND LOAN PROGRAMS

Funding Positions		
PR	\$8,000,000	1.00

Governor: Create a gaming economic development grant and loan program and a gaming economic diversification grant and loan program to provide financial assistance to businesses that are located in counties that are affected by Native American gaming operations. Of Wisconsin's 72 counties, 52 either have casinos or are adjacent to counties that do. A total of \$2,500,000 in 1999-00, \$5,500,000 in 2000-01 and 1.0 position in each year would be provided for grants and loans and to administer the programs. Of the amounts appropriated, not more than \$100,000 annually could be expended for marketing the programs. Funding, under the bill, would be provided from tribal gaming revenue provided to the state under the recently completed state-tribal gaming compact amendments. [For more information on the proposed use of tribal gaming revenues, see the summary item relating to Tribal Gaming Revenue Allocations under "Administration -- Division of Gaming."]

Gaming Economic Development Grants and Loans. The gaming economic development grant and loan program would provide financial assistance to businesses located in Wisconsin counties in which a casino operated by a federally recognized American Indian tribe or band was located or to businesses located in adjacent counties. Commerce would be authorized to make a grant or loan to a qualified business if it determined that: (a) the business has been

negatively impacted by the existence of the casino; and (b) the business has a legitimate need for the grant or loan to improve the profitability of the business.

Two types of awards could be made under the program: (a) a grant of up to \$15,000 for professional services; and (b) a grant or loan of up to \$100,000 for fixed asset financing. Professional services would include: (a) preparation of preliminary feasibility studies, feasibility studies or business and financial plans; (b) providing a financial package; (c) engineering studies, appraisals or marketing assistance; and (d) related legal, accounting or managerial services. Award recipients would be required to provide a cash match of at least 25% of the cost of the project. Grants or loans could not be made for purposes related to tourism unless the Department of Tourism concurred in the award. Commerce could waive the matching requirement if it determined that the business was subject to extreme financial hardship. The Department would also be authorized to forgive all or any part of a loan made under the program.

The program would be provided \$2,500,000 in 1999-00 and \$3,000,000 in 2000-01 and 1.0 position in each year to fund grants and loans and to administer both of the gaming grant and loan programs. Of the total amount provided, \$114,000 in 1999-00 and \$125,900 in 2000-01 would fund the position and related administrative costs. In addition, the Department would be required to make grants to Brown County of \$500,000 in 1999-00 and \$1,000,000 in 2000-01. (These funds would be provided in the 1999-01 biennium only and would be used to support construction of a new arena.) Consequently, the total amount of funding available for gaming economic development grants and loans would be \$1,886,000 in 1999-00 and \$1,874,100 in 2000-01.

In addition, gaming economic development loans that were repaid would be placed in a program revenue repayments appropriation and could be used to make additional grants and loans.

Gaming Economic Diversification Grants and Loans. The gaming economic diversification grant and loan program would provide grants and loans beginning in July, 2000, to businesses located in counties in which a casino operated by a federally recognized American Indian tribe was located in this state or to businesses located in adjacent counties. Commerce would be authorized to make a grant or loan to an eligible business for the purpose of diversifying the economy of a community in proximity to a casino. In determining whether to make an award, the Department would be required to consider all of the following: (a) a project's potential to retain or increase the number of jobs; (b) a project's potential to provide for significant capital investment; and (c) a project's contribution to the economy of the community in proximity to the casino and of the state. Grant or loan recipients would be required to provide a cash match equal to 25% of the project's cost. Awards could not be made for tourism related projects unless the Department of Tourism concurred in the award.

Funding of \$2,500,000 would be provided in 2000-01 for gaming economic diversification grants and loans. In addition, a separate, program revenue appropriation would be created for loan repayments.

[Bill Sections: 203, 205, 207 thru 209, 558, 559, 2952, 2953, 9110(1) and 9410(4)&(5)]

4. NATIVE AMERICAN ECONOMIC DEVELOPMENT APPROPRIATIONS FUNDING CONVERSION

Funding Positions		
GPR	-\$201,400	- 1.00
PR	<u>201,400</u>	<u>1.00</u>
Total	\$0	0.00

Governor: Convert \$100,700 and 1.0 position annually from GPR to PR for the Department's Native American liaison and Native American economic development liaison and technical assistance grants. The current appropriations used to fund the liaison, economic development liaison grant and technical assistance grant would be converted from GPR to PR. Funding, under the bill, would be provided from tribal gaming revenue provided to the state under the recently completed state-tribal gaming compact amendments. [For more information on the proposed use of tribal gaming revenues, see the summary item relating to Tribal Gaming Revenue Allocations under "Administration -- Division of Gaming."] Base level funding would be maintained for each appropriation as follows: (a) American Indian economic development; liaison--\$50,700 PR and 1.0 PR position annually; (b) American Indian economic development; technical assistance--\$25,000 PR annually; and (c) American Indian economic development; liaison-grants--\$25,000 PR annually.

Currently, a program planning analyst position provides technical and economic development assistance to Native American entrepreneurs and tribal communities. The Department also administers two grant programs which provide funds to the Great Lakes Inter-Tribal Council--an economic development liaison grant and an economic development technical assistance grant.

The economic development liaison grant program provides monies to the Council to partially fund a Council liaison between American Indians, Indian businesses and Indian tribes interested in targeted economic assistance programs and the state agencies that administer them.

The technical assistance grant program provides funding to the Great Lakes Inter-Tribal Council for a position that provides technical assistance for economic development on or near Indian reservations. Entities that are eligible for technical assistance are tribal enterprises, Indian businesses located on Indian reservations and other Indian businesses that directly benefit the economies of Indian reservations.

[Bill Sections: 197 thru 199, 555 thru 557, 3022 and 3023]

5. PHYSICIAN AND HEALTH CARE PROVIDER LOAN ASSISTANCE PROGRAMS FUNDING CONVERSION

GPR	- \$777,400
PR	<u>777,400</u>
Total	\$0

Governor: Convert \$388,700 annually from GPR to PR for the Physician Loan Assistance Program (PLAP) and Health Care Provider Loan Assistance Program (HCPLAP) and a related contract with the UW Office of Rural Health. The current appropriation used to fund the programs would be converted from GPR to PR. Funding, under the bill, would be provided from tribal gaming revenue provided to the state under the recently completed state-tribal gaming compact amendments. [For more information on the proposed use of tribal gaming revenues, see the summary item relating to Tribal Gaming Revenue Allocations under "Administration -- Division of Gaming."]

The Physician Loan Assistance Program (PLAP) and the Health Care Provider Loan Assistance Program (HCPLAP) programs provide loan repayments for physicians and certain health care professionals who practice in areas in the state which have a shortage of physicians or health care professionals.

[Bill Sections: 202, 562, 2957 thru 2964 and 9210(1)]

6. POSITION TRANSFER TO ADMINISTRATIVE SERVICES

Governor: Provide \$482,900 PR and 8.0 PR positions annually and delete \$161,400 FED, 3.0 FED positions, \$286,200 GPR, 4.5 GPR positions, \$35,300 SEG and 0.5 SEG positions annually to reflect the transfer of administrative positions to the Department's administrative services charge-back appropriation. The source of program revenue is fees charged to the Department's programs for administrative services provided.

	Funding Positions	
GPR	- \$572,400	- 4.50
FED	- 322,800	- 3.00
PR	1,292,800	8.00
SEG	<u>79,000</u>	<u>- 0.50</u>
Total	\$476,600	0.00

Further, provide \$163,200 PR and \$74,600 SEG in 1999-00 and \$163,800 PR and \$75,000 SEG in 2000-01 in various appropriations to fund increased charges for administrative services performed for the various programs. The increased administrative charges would reflect position transfers, pay plan and fringe benefit costs and position reclassifications. This provision would increase expenditure authority in appropriations that would be charged for the increased costs of administrative services.

7. APPLICATIONS DEVELOPMENT POSITIONS

Governor: Provide \$156,200 in 1999-00 and \$172,300 in 2000-01 and 3.0 positions annually for the Administrative Services Division. The positions would be used for applications development and maintenance of the Department's computer systems. The source of program revenue is fees charged to the Department's programs for services provided.

	Funding Positions	
PR	\$328,500	3.00

8. WISCONSIN DEVELOPMENT FUND -- FUNDING PROVISIONS

Governor: Provide funding through the Wisconsin Development Fund (WDF) GPR and program revenue repayments appropriations as follows:

- a. Annual base level GPR funding of \$7,503,800.
- b. Annual base level funding of \$1,500,000 PR for the program revenue repayments appropriation. [An additional \$1,000,000 in annual expenditure authority is provided for the newly created manufacturing extension grants. This funding is reflected under the WDF item #10 for that program.]
- c. Authorize the Department to provide an additional \$50,000, or a total of \$100,000, in WDF funds in fiscal year 1999-00 to a nonprofit organization that provides assistance to organizations and individuals in urban areas. (The funding is the final year of a three-year grant for Reggie White's Wisconsin Urban Hope Initiative that provides entrepreneurial opportunities for individuals in Wisconsin's central cities. State funding is matched by private funds.) The funds must be used in accordance with a memorandum of understanding with DOA that specifies how the monies must be allocated for assistance.
- d. Authorize the Department to make a loan of up to \$600,000 in WDF funds for a project that includes a pedestrian bridge if all of the following apply: (1) the person submits a plan to the Department detailing the use of the loan and the Secretary of Commerce approves the plan; (2) the person enters into a written agreement with the Department that specifies the loan terms and the conditions for use of the loan proceeds, including reporting and auditing requirements; (3) the person agrees in writing to submit to the Department, within six months after spending the full amount of the loan, a report detailing how the proceeds were used. Loan repayments would be placed in the WDF program revenue appropriation. No loan proceeds could be paid for this purpose after June 30, 2000.
- e. Authorize the Department to make a grant of not more than \$1,000,000 from the WDF GPR appropriation to a consortium for a manufacturing technology training center if all of the following apply: (1) the consortium is located in the Racine-Kenosha area; (2) the consortium submits a plan to the Department detailing the proposed use of the grant and the Secretary approves the plan; (3) the consortium enters into a written agreement with the Department that specifies the conditions for use of the grant proceeds, including reporting and auditing requirements; and (4) the consortium agrees in writing to submit to the Department, within six months after spending the full amount of the grant, a report detailing how the grant proceeds were used. The Department could not disburse more than \$500,000 in grant proceeds in each year of the 1999-2001 biennium. No grants could be paid for this purpose after June 30, 2001.

The Wisconsin Development Fund (WDF) consists of eight programs: (1) technology development grants and loans; (2) customized labor training grants and loans; (3) major economic development grants and loans; (4) Wisconsin trade project; (5) employee ownership assistance grants; (6) manufacturing assistance grants; (7) revolving loan fund capitalization

9. SUBSISTENCE AID GRANTS

SEG	\$104,200
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Governor: Provide \$39,800 in 1999-00 and \$64,400 in 2000-01 for increased subsistence aid grant expenditures. This program provides temporary emergency aid to low-income veterans in event of an illness, disability or death that causes a loss of income. The emergency grant is to help the veteran meet everyday living expenses such as rent, food and clothing costs. Adjusted base level funding for subsistence aid grants is \$236,200.

10. RETRAINING GRANT PROGRAM

Governor: Provide that the total amount of grants made under this program may not exceed \$500,000 in any fiscal year. This is equal to the amounts appropriated for the program in each year of the fiscal 1999-01 biennium under the Governor's recommendations. This program provides grants up to \$3,000 a year, based on financial need, to qualifying veterans needing retraining. Currently, funding under this program is available for veterans who are enrolled in a training course in a state technical college or are engaged in a structured on-the-job training program which has been approved by DVA.

[Bill Section: 989]

11. VETERANS TRUST FUND RESERVE

SEG	\$300,000
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Governor: Provide \$150,000 annually to increase the loan reserves in the Veterans Trust Fund (VTF). The loan reserve is used to pay for defaults in VTF loan programs. The increase in reserve spending authority is provided because the outstanding loan portfolio has increased. In December, 1997, an additional \$8.3 million in home improvement loans was transferred to the VTF from the primary mortgage loan program. Prior to the transfer, the loan reserve had spending authority of \$300,000 to cover defaults in a portfolio of \$28.5 million in outstanding loans. The additional \$150,000 annual spending authority would provide a total annual reserve of \$450,000 that would be available to cover defaults in either the transferred HILP loans or any of the other VTF loan programs. To implement the Governor's proposal, a technical amendment is necessary that amends the appropriation to allow the use of reserve funds for the payment of defaults on home improvement loans.

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Budget Summary						FTE Position Summary
Fund	1998-99 Adjusted Base	Governor		1999-01 Change Over Base Year Doubled		
		1999-00	2000-01	Amount	%	
GPR	\$0	\$1,000,000	\$0	\$1,000,000	N.A.	There are no authorized state positions for WHEDA.
PR	0	2,500,000	0	2,500,000	N.A.	
TOTAL	\$0	\$3,500,000	\$0	\$3,500,000	N.A.	

Budget Change Items

1. BIOTECHNOLOGY DEVELOPMENT FINANCE COMPANY

GPR	\$1,000,000
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Governor: Provide \$1,000,000 in 1999-2000 in a biennial appropriation for administrative expenses and start-up capital for a biotechnology development finance company. Authorize WHEDA to organize and maintain a nonprofit, nonstock biotechnology development finance company to invest in new or existing biotechnology (technology relating to life sciences) companies in the state. Prohibit the company from engaging in political activities. The finance company would be allowed to invest in eligible biotechnology companies by purchasing stock, convertible securities, evidences of indebtedness, warrants, subscriptions, partnership interests or membership interests. However, the finance company would be limited to a total investment in any one biotechnology company of \$200,000 or 49% ownership, whichever is less.

The board of directors of the biotechnology development finance company would consist of nine members, including: (a) the Executive Director of WHEDA (or designee); (b) the Secretary of the Department of Commerce (or designee); (c) the Secretary of the Department of Administration (or designee); (d) the Executive Director of the Investment Board (or designee); (e) the President of the UW System (or designee); (f) the President of Forward Wisconsin, Inc. (or designee); and (g) one representative each of the state's biotechnology research community, biotechnology industry, and venture capital industry. Initially, the Governor would appoint the final three representatives for 5-year terms. The company would specify in its bylaws a method of reappointing or filling vacancies for the three public members. The biotechnology development finance company would also be required to annually provide a report on its activities to the Governor and to the appropriate standing committees in the Legislature.

Eligible Borrowers. The biotechnology development finance company could invest in a biotechnology company if all of the following apply:

- a. The biotechnology company has certified that the project plans conform to all applicable environmental, zoning, building, planning or sanitation laws;
- b. There is a reasonable expectation that the biotechnology company will be successful;
- c. Private industry has not provided sufficient capital required for the project;
- d. Other investment in the project is unavailable in the traditional capital markets, or capital has been offered on terms that would preclude the success of the project;
- e. The biotechnology company reports sufficient financial data about the project, which may include a periodic audit of the project's financial records, to the biotechnology development finance company;
- f. The proceeds of the purchase will be used solely in connection with the costs of the project, which may include planning and design, land purchases, feasibility studies, equipment, and working capital, among other costs; and
- g. The biotechnology company is able to manage its project responsibilities.

WHEDA is required to advise, assist and provide administrative services, as deemed necessary, to the biotechnology development finance company, either with WHEDA staff or by contract. The Department of Commerce is also directed to advise, assist and cooperate with the biotechnology development finance company. Under the bill, Commerce would reallocate GPR to provide one staff position for biotechnology development that would assist WHEDA and the biotechnology development finance company. However, neither the state nor WHEDA would be liable for any debt incurred by the biotechnology development finance company.

[Bill Sections: 506, 507, 2376, 2928 and 9425(2)]

2. WISCONSIN DEVELOPMENT RESERVE FUND

Governor: Transfer at least \$5.1 million from the housing rehabilitation loan program administration fund to the Wisconsin development reserve fund (WDRF). The housing rehabilitation loan program provides below market rate loans to low-income households for home repair. The program is financed by the issuance of revenue bonds. The administration fund receives revenue from both a housing rehabilitation loan program loan-loss reserve fund and a housing rehabilitation loan program bond redemption fund after the obligations of those funds are met (namely the principal and interest repayment of bonds issued for the program). The housing rehabilitation loan program administration fund is used to pay most administrative costs of the loan program. Under current law, excess funds in the administration fund are transferred, upon request, to the state's general fund. This bill would transfer these excess funds, as certified by the chairperson of WHEDA, to the WDRF instead of the general fund. It would also require that unobligated funds from the housing rehabilitation loan

- a. The biotechnology company has certified that the project plans conform to all applicable environmental, zoning, building, planning or sanitation laws;
- b. There is a reasonable expectation that the biotechnology company will be successful;
- c. Private industry has not provided sufficient capital required for the project;
- d. Other investment in the project is unavailable in the traditional capital markets, or capital has been offered on terms that would preclude the success of the project;
- e. The biotechnology company reports sufficient financial data about the project, which may include a periodic audit of the project's financial records, to the biotechnology development finance company;
- f. The proceeds of the purchase will be used solely in connection with the costs of the project, which may include planning and design, land purchases, feasibility studies, equipment, and working capital, among other costs; and
- g. The biotechnology company is able to manage its project responsibilities.

WHEDA is required to advise, assist and provide administrative services, as deemed necessary, to the biotechnology development finance company, either with WHEDA staff or by contract. The Department of Commerce is also directed to advise, assist and cooperate with the biotechnology development finance company. Under the bill, Commerce would reallocate GPR to provide one staff position for biotechnology development that would assist WHEDA and the biotechnology development finance company. However, neither the state nor WHEDA would be liable for any debt incurred by the biotechnology development finance company.

[Bill Sections: 506, 507, 2376, 2928 and 9425(2)]

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program loan-loss reserve fund and the housing rehabilitation loan program bond redemption funding that are transferred to the administration fund be retained there or transferred to the WDRF rather than being deposited to the general fund. Finally the provision calls for a transfer of at least \$5.1 million in 1999-2000 from the housing rehabilitation loan program administration fund to the WDRF, regardless of whether the WHEDA chairperson certifies that the funds are no longer required for the housing rehabilitation loan program.

The WDRF is used to guarantee loans for various programs, including CROP, FARM, small businesses and a loan for the Taliesin Preservation Commission. A large portion of the Commission loan (\$6,494,700) defaulted in January, 1999. The WDRF, as guarantor, is responsible for repayment of 90% of the defaulted amount, or \$5,845,200. The remaining \$1,088,900 in disbursements to the Commission has been restructured as a no-interest loan. The transfer from the housing rehabilitation loan program administration fund would partially offset the loss to the WDRF. By statute, the WDRF must have at least one dollar in reserve for every \$4.50 in available guarantee authority. As of July 1, 1998, WHEDA had maximum available guarantee authority of \$71.6 million (with approximately \$36 million in guarantees outstanding) with consolidated reserves of \$16.5 million.

[Bill Sections: 2372 thru 2374, 2394 and 9125(1)]

3. CULTURAL AND ARCHITECTURAL LANDMARKS


Governor: Limit WHEDA's authority to make a loan or to use funds from the Wisconsin development reserve fund (WDRF) to guarantee a loan to a nonprofit organization that owns or leases cultural and architectural landmark property and improvements to amounts already provided to the Taliesin Preservation Commission. WHEDA is currently authorized to make a loan of up to \$8 million and to guarantee up to 90% of a loan for cultural and architectural landmarks (\$7.2 million of the \$8 million in loans could be guaranteed). WHEDA has disbursed \$7,583,600 for a loan to the Taliesin Preservation Commission, and this loan would continue to be backed by the WDRF. However, authority to issue additional loans would be repealed. Also, the WDRF must continue to maintain at least one dollar in reserve for every \$4 in outstanding guarantees under the Taliesin loan (all other WHEDA programs require one dollar in reserve for \$4.50 in guarantee authority). Interest income received by individuals from the proceeds of any bonds that WHEDA issued to finance loans for the Taliesin Preservation Commission would still be exempt from state taxation. Further, real or personal property of the Commission would also continue to be exempted from general property taxation.

[Bill Sections: 1653, 1683 and 2396 thru 2398]

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4. SMALL BUSINESS LOAN GUARANTEES IN GAMING COMMUNITIES

PR \$2,500,000

 **Governor:** Provide a one-time transfer of \$2,500,000 from tribal gaming revenues to the Wisconsin development reserve fund (WDRF) for a loan guarantee program for small

businesses located in a county or adjacent to a county with a casino. Allow WHEDA to provide interest subsidies by paying the lender an annual amount of up to 3.5% of the outstanding loan balance. Loans to eligible small businesses located near gaming communities could be guaranteed by the general fund in the WDRF, and interest subsidies to these same businesses could be paid by the general fund in the WDRF. However, no guarantee program except those eligible small businesses located near gaming communities could use the \$2.5 million appropriated in the bill to guarantee loans. The bill also increases the total outstanding guaranteed principal amount of all loans under the small business loan guarantee program (including gaming related loans) by \$11,250,000, from \$9,900,000 to \$21,150,000.

Guarantee Amounts. WHEDA would be allowed to guarantee repayment of the principal of any loan eligible for guarantee not to exceed 100% or \$200,000, whichever is less. WHEDA would be required to establish the amount of the principal of an eligible loan to be guaranteed in an agreement with the participating lender. The Authority would be allowed to establish a single guarantee rate for all guaranteed loans that do not exceed \$200,000 and a separate guarantee rate for loans that exceed \$200,000, or WHEDA could establish, on an individual basis, a different guarantee rate for eligible loans.

Eligible Loans. Loan eligibility under the small business loan guarantee for gaming communities would be determined by the same factors as in the existing small business development loan guarantee program. Namely, loans would be eligible for guarantees if all of the following apply:

- a. The loan proceeds are used for direct or related expenses associated with the expansion or acquisition of a business, including the purchase or improvement of land, buildings, machinery, equipment or inventory;
- b. Loan proceeds are not used for refinancing existing debt, entertainment expenses, expenses related to the production of an agricultural commodity or expenses related to a community based residential facility;
- c. The loan term may not extend beyond 15 years after the date on which the lender disburses the loan unless WHEDA agrees to an extension of the loan term;
- d. The total principal amount of guaranteed loans to any one borrower may not exceed \$750,000;
- e. The lender obtains a security interest in the physical plant, equipment, machinery or other assets;
- f. The lender believes it is reasonably likely that the borrower will be able to repay the loan in full with interest;
- g. The lender agrees to the guarantee percentage established for the loan by WHEDA; and

h. WHEDA believes the loan will have a positive impact in terms of job creation or retention.

Eligible Borrowers. To be eligible for a loan guarantee under this program, the borrower must be a business owner: (a) who is unable to obtain adequate business financing on reasonable terms; (b) who is actively engaged in the business (primarily an in-state business or those committed to locating in the state); (c) who employs 50 or fewer employees; (d) whose name does not appear on a statewide list of delinquent child support payers or if it does appear, the owner of the business has provided a payment agreement approved by the county child support agency; and (e) who is located in a Wisconsin county or in an adjacent Wisconsin county to where a federally recognized American Indian tribe or band operates a casino. Of Wisconsin's 72 counties, 52 either have casinos or are adjacent to counties that do.

Interest Subsidies. In addition, the bill would allow WHEDA to pay lenders under the small business loan guarantee for gaming communities program an annual interest subsidy of up to 3.5% on the outstanding balance of the loan. These interest subsidies would be paid either under the separate account created for guaranteeing loans to businesses in gaming communities or under the general WDRF.

[See "Administration -- Division of Gaming" for additional information on program revenue from tribal gaming.]

[Bill Sections: 505, 560, 561, 2380 thru 2387, 2395 and 9425(1)]

5. BROWNFIELDS LOAN GUARANTEE AUTHORITY

Governor: Require WHEDA to transfer \$2,000,000 from the Wisconsin development reserve fund (WDRF) to the environmental fund on the effective date of the bill. In the 1997-99 budget, \$4 million was transferred from the recycling fund to the WDRF to guarantee up to \$22,500,000 in loans for brownfields remediation. Further, reduce the maximum outstanding principal amount of brownfields loans that may be guaranteed to \$11,250,000. As of March 1, 1999, no brownfields loan guarantees have been made.

[Bill Sections: 708, 2388 and 9225(1)]

6. CREDIT RELIEF OUTREACH PROGRAM (CROP)

Governor: Increase the total outstanding principal amount of CROP loans a borrower may have at any one time from \$20,000 to \$30,000. Under current law, eligible farmers receive guarantees on one-year agricultural production loans. WHEDA guarantees 90% of each qualifying agricultural production loan made by a participating lender with monies in the Wisconsin development reserve fund.

[Bill Section: 2389]